

# Daily Flash

## Asia

*The general reaction in Asia to China's Q2 GDP release (+7.6% y/y; see below) was positive, as it allayed fears of an even sharper slowdown. The reaction of equity markets, however, was rather muted, with many indices flat on the day (Shanghai: 0.0%; Hang Seng: +0.4%; Taiwan: -0.4%), though Korea rose by +1.5%.*

### China's Q2 GDP growth slows in line with expectations

China's GDP growth slowed to 7.6%y/y in Q2, down from 8.1% in Q1, broadly in line with expectations (consensus: 7.7%; BBVA: 7.4%) (*see today's China Flash for further details*). Underlying the outturn was a decline in the contribution of consumption and a pickup in investment, consistent with government efforts to step up the pace of infrastructure spending as private activity slows. June activity indicators, also released today, paint a similar picture with signs that the slowdown may be stabilizing. We expect GDP growth to accelerate in the second half of the year as the government steps up its stimulus measures.

### Singapore's Q2 GDP growth and retail sales disappoint

Singapore's GDP grew by 1.9% y/y in the second quarter (consensus: 2.4% y/y), coming in below expectations due to a sluggish manufacturing sector (3.0% y/y). Singapore's growth will likely remain under pressure in the coming months, especially after fresh evidence that weak exports are now spilling over into domestic demand, with May retail sales (0.5% y/y, consensus: 2.6% y/y) also falling short of expectations today. Looking further ahead, sluggish growth may prompt the Monetary Authority of Singapore to loosen monetary policy at its semi-annual meeting in October (at its most recent meeting in April, Singapore surprised the markets by tightening monetary policy).

### Briefly noted:

- **On the tail of yesterday's unexpected rate cut, the Bank of Korea lowered its 2012 GDP growth forecast to 3% today (BBVA: 2.9%),** down from its April forecast of 3.5%, citing subdued global growth. The central bank also revised its forecast for inflation downwards from 3.2% down to 2.7% (BBVA: 2.8%).
- **After a week full of important economic releases in Asia, next week's data calendar will on the light side.** India's June's wholesale price inflation data and China's June property prices will be reported on Monday. China will also release FDI data during the week, while Singapore's exports will be published on Tuesday and Taiwan reports June export orders on Friday.

Jeffrey Cantwell  
Economist  
jeffrey.cantwell@bbva.com.hk  
+852 2582 3173

William Fitchett  
Economist  
william.fitchett@bbva.com.hk  
+852 2582 3246

With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	12-Jul	JUN	5.10%	5.20%	5.20%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	09-Jul	JUN	3.00%	2.30%	2.20%
Producer Price Index (YoY)	09-Jul	JUN	-1.40%	-2.00%	-2.10%
Trade Balance (USD)	10-Jul	JUN	\$18.70B	\$24.00B	\$31.73B
Exports YoY%	10-Jul	JUN	15.30%	10.60%	11.30%
Imports YoY%	10-Jul	JUN	12.70%	11.00%	6.30%
New Yuan Loans	12-Jul	JUN	793.2B	880.0B	919.8B
Money Supply - M2 (YoY)	12-Jul	JUN	13.20%	13.50%	13.60%
Industrial Production YTD YoY	13-Jul	JUN	10.70%	10.50%	10.50%
Industrial Production (YoY)	13-Jul	JUN	9.60%	9.80%	9.50%
Fixed Assets Inv Excl. Rural YTD YoY	13-Jul	JUN	20.10%	20.00%	20.40%
Real GDP (QoQ)	13-Jul	2Q	1.80%	1.60%	1.80%
Real GDP (YoY)	13-Jul	2Q	8.10%	7.70%	7.60%
Retail Sales (YoY)	13-Jul	JUN	13.80%	13.40%	13.70%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	12-Jul	MAY	0.10%	--	2.40%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Machine Orders (MoM)	09-Jul	MAY	5.70%	-2.60%	-14.80%
Current Account Total	09-Jul	MAY	¥333.8B	¥493.1B	¥215.1B
Trade Balance - BOP Basis	09-Jul	MAY	-¥463.9B	-¥836.8B	-¥848.2B
Japan Money Stock M2 YoY	10-Jul	JUN	2.10%	2.10%	2.20%
Tertiary Industry Index (MoM)	11-Jul	MAY	-0.30%	0.20%	0.70%
Machine Tool Orders (YoY)	11-Jul	JUN P	-3.00%	--	-15.50%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	11-Jul	MAY	3.20%	4.60%	7.60%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	10-Jul	MAY	7.60%	6.80%	19.70%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP (QoQ)	13-Jul	2Q A	10.00%	0.60%	-1.10%
GDP (YoY)	13-Jul	2Q A	1.60%	2.20%	1.90%
Retail Sales (YoY)	13-Jul	MAY	2.20%	2.60%	0.50%
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (SA)	11-Jul	JUN	3.20%	3.30%	3.20%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	09-Jul	JUN	-6.30%	2.30%	-3.20%

## Indicator of the Week

### Taiwan: Export Orders (June, July 20th)

Forecast: -2.9% y/y

Consensus: n/a

Prior: -3.0% y/y

As an important leading indicator for the Asia region's export demand, Taiwan's export orders for June will be watched for further signs of a slowdown. Taiwan's semi-conductor and electronics-intensive production place the economy at the forefront of the global supply chain. Due to weakening external demand, Taiwan's exports dropped through the first two quarters of 2012, down -4.0% yoy in Q1 and -5.4% yoy in Q2, resulting in slowing production. PMI fell back to within the contraction zone (below 50) in June, at 49.2. We expect export orders to remain sluggish in June, mainly due to weakening orders from the EU and, increasingly, weaker imports in China.

## Calendar Events

### South Korea - 7-Day Repo Rate, July 12

We expected the benchmark rate to remain unchanged

**Current**

3.25%

**Consensus**

3.25%

**New**

3.00%

### Japan - BOJ Target Rate, July 12

We expected the benchmark rate to remain unchanged

**Current**

0.10%

**Consensus**

0.10%

**New**

0.10%

### Indonesia - Bank Indonesia Reference Rate, July 12

We expected the benchmark rate to remain unchanged

**Current**

5.75%

**Consensus**

5.75%

**New**

5.75%

## Markets Data

STOCK MARKETS	INDEX	Last price	% change over a day	% change over a week	Year to date	% change over 1 Y
	China - Shanghai Comp.	2185.9	0.0	-1.7	-0.6	-21.8
	Hong Kong - Hang Seng	19092.6	0.4	-3.6	3.6	-12.9
	Taiwan - Weighted	7104.3	-0.4	-3.6	0.5	-16.3
	Japan - Nikkei 225	8724.1	0.0	-3.3	3.2	-12.4
	Korea - Kospi	1812.9	1.5	-2.4	-0.7	-14.9
	India - Sensex 30	17241.2	0.1	-1.6	11.6	-7.3
	Australia - SPX/ASX 200	4082.2	0.4	-1.8	0.6	-9.6
	Singapore - Strait Times	2995.6	0.8	0.6	13.2	-3.0
	Indonesia - Jakarta Comp	4019.7	0.9	-0.9	5.2	1.0
	Thailand - SET	1210.9	1.5	0.9	18.1	12.4
	Malaysia - KLCI	1626.4	0.1	0.4	6.2	2.9
	Philippines - Manila Comp.	5214.5	0.2	-2.8	19.3	18.4

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.38	-0.09	-0.23	6.36	6.42
	Hong Kong (HKD/USD)	7.76	0.01	-0.03	7.75	7.75
	Taiwan (TWD/USD)	30.0	0.02	-0.34	29.95	29.67
	Japan (JPY/USD)	79.25	0.08	0.52	79.16	78.77
	Korea (KRW/USD)	1150	0.10	-1.06	1156	1166
	India (INR/USD)	55.3	1.14	0.29	56.21	58.44
	Australia (USD/AUD)	1.02	0.34	-0.39	0.99	1.01
	Singapore (SGD/USD)	1.27	0.13	0.35	1.27	1.26
	Indonesia (IDR/USD)	9448	0.00	-0.46	9575	9975
	Thailand (THB/USD)	31.7	0.47	0.28	31.83	32.21
	Malaysia (MYR/USD)	3.19	0.13	-0.36	3.20	3.23
	Philippines (PHP/USD)	42.0	0.29	-0.25	42.09	42.41

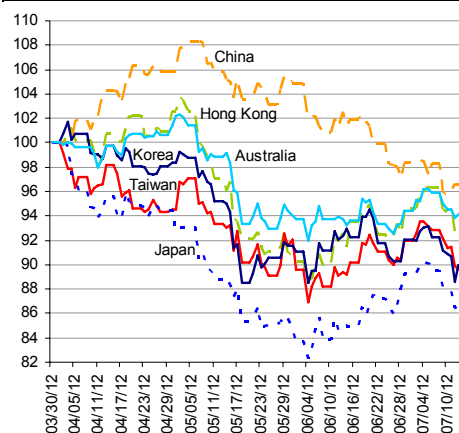
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.33	0.14	-0.09	0.63
	Hong Kong (HIBOR/1W)	0.15	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.13	-0.20	-0.21	-0.23
	India (MIBOR/7D)	3.34	0.15	-0.39	0.15
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.17	0.00	0.02	0.07
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	2.88	0.06	-0.25	-0.56

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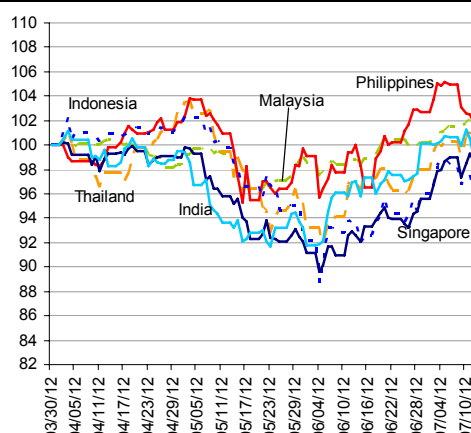
# Charts

Chart 9  
Stock Markets



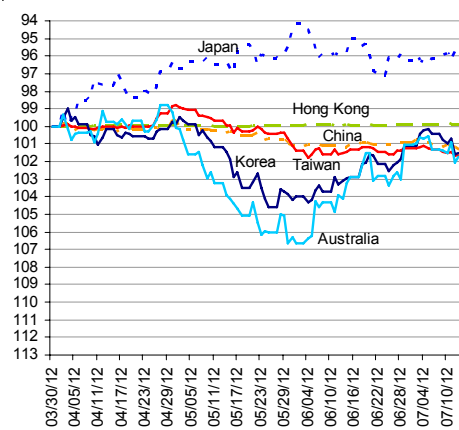
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



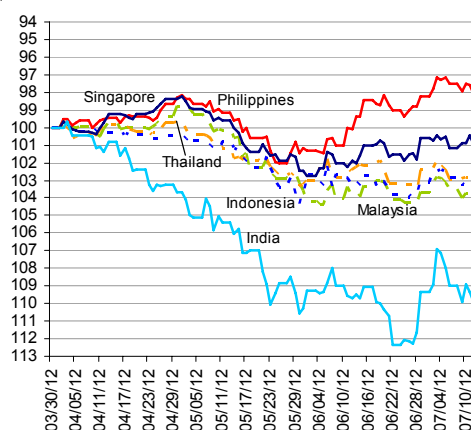
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Senior Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Zhigang Li  
Senior Economist (China)  
[zhigang.li@bbva.com.hk](mailto:zhigang.li@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

Jeffrey Cantwell  
Economist  
[jeffrey.cantwell@bbva.com.hk](mailto:jeffrey.cantwell@bbva.com.hk)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Richard Li  
Asian FX Chief Strategist  
[richard.li@bbva.com.hk](mailto:richard.li@bbva.com.hk)

William Fitchett  
Economist  
[william.fitchett@bbva.com.hk](mailto:william.fitchett@bbva.com.hk)

**BBVA**

RESEARCH



43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | [www.bbva.com.hk](http://www.bbva.com.hk)

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